

Taxes and Economic Development

Prepared for:

Economic Development Task Force

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Presentation Outline

- Introduction
- General State and Local Tax Policy
- Tax Incentives for Specific Industries or Companies

Introduction

- Taxes represent a cost for businesses
- What are the largest taxes paid by businesses?
 - Property tax
 - Sales tax
 - Income tax
 - Corporate income tax
 - Individual income tax

Tax Incidence

- Even though a business may bear the legal incidence of a tax by “cutting the check” to government, a business will be NEVER bear the economic burden of a tax
- ALL taxes are eventually shifted to households – the multi-billion dollar question is, which households?

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Property Tax

- Utah Constitution limits Legislature's authority relative to property tax
- Property tax currently imposed and collected only by local governments
- Roughly one half of property tax in Utah initially imposed on businesses
- Under Utah's truth in taxation system, 45% primary residential exemption shifts the initial tax burden from households to businesses
- Centrally assessed v locally assessed

Sales and Use Tax

- Sales and use tax (“sales tax”) currently imposed by state and local governments
- Roughly one third of sales tax in Utah initially imposed on businesses
- Tax pyramiding
 - Sales tax on business inputs creates tax pyramiding
 - Sales tax exemption of business inputs

Income Tax

- Corporate income tax
 - Generally C-Corporations
 - Apportionment of income for multi-state businesses
- Individual income tax
 - Pass-through entities

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Utah and Other States' Tax Incentives

- Entitlement vs. grant tax incentives
- Pew Center on the States reports provide background on evaluating existing incentives and potential new incentives
 - Reliable estimates
 - Annual controls
 - Utah example – Life Science and Technology Tax Credits

What is Your Objective?

- It is important to decide what problem you are trying to solve
- Once you understand your objective, can better design tax and spending policies to meet that objective
- For different types of businesses, different costs and/or resources will matter more
 - Taxes
 - Transportation
 - Workforce